September 28, 2005

The Honorable Chairman and Members of the
Hawaii Public Utilities Commission
465 South King Street, Room 103
Kekuanaoa Building
Honolulu, Hawaii 96813
Attention: Catherine Awakuni, Commission Counsel

Re: Act 95 Workshops; Comments of The Gas Company in Response to Second Concept Paper Concerning Renewable Portfolio Standards and Performance-Based Rates

Dear Chairman and Commissioners:

In accordance with the Commission's letter of July 26, The Gas Company (TGC) hereby respectfully submits its comments on Economists Incorporated's "Proposals for Implementing Renewable Portfolio Standards in Hawaii." A tremendous amount of background research went into this report, and TGC wishes to commend the authors for a clear and well-organized presentation.

A. Comments on Topics Included Under ¶ 106

TGC reads[1] Act 95 as giving the Commission authority to offer 'carrots,' or "incentives that encourage Hawaii's electric companies to use cost-effective renewable energy resources found in Hawaii," but not to apply 'sticks' in the form of fines, penalties, disallowance of cost recovery, and the like. The tools available to the Commission include those of *positive* reinforcement, such as providing "incentives to encourage electric utility companies to exceed the renewable portfolio standards, meet them ahead of time, or both." The Act does not reference negative reinforcement, and indeed evinces a concern for protecting electric utility margins.

The Legislature struck a balance reflecting a concern for utility customers and shareholders, along with its desire to encourage renewable electric generation. Thus, the Commission is charged with determining whether the electric companies can meet the prescribed renewable portfolio standards (RPS) in a manner that is at or below their avoided costs, such that customers will see no undue rate increase, while the utilities themselves suffer no diminution in their opportunity to earn their approved returns. If the Commission determines that an electric utility is unable to meet the existing standards cost-effectively, or if a utility's compliance is delayed by reason of circumstances beyond its control, which could not reasonably have been anticipated or mitigated, then the Commission can allow a

[1] In interpreting Act 95, TGC has relied on the principles of statutory construction as set forth in Sutherland Statutory Construction.

deviation from the established standard. The Commission can also recommend one or more different RPS levels to the Legislature, after consulting with experts, taking into account the enumerated factors.

Based on TGC's review, the Act does not authorize monetization of the RPS obligation and REC trading in a national marketplace. Section 1 of the Act focuses on increased use of renewable resources *indigenous to Hawaii* so that ripple effects such as job creation, environmental benefits, and energy security may be realized *within the State*, and the trend of exporting cash and importing oil can be reversed. Moreover, the factors the Commission must consider in recommending future RPS levels, which include the economy, culture, community, environment, demographics, and impacts on land and water, among other things, also suggest that the Legislature desired to bring about 'specific performance' of the RPS, *i.e.*, increases in net renewable energy sales to local consumers by Hawaii's electric utilities. TGC sees the flexibility in the Hawaii RPS as limited to: (1) geographic within the State (allowing aggregation of portfolios between utility affiliates), (2) quantitative (allowing the Commission to recommend future realistic RPS levels), and (3) temporal (allowing the Commission to grant extensions of time if a utility adequately demonstrates *force majeure*).

Although TGC supports the concept of weighting some of the technologies and measures defined in Act 95 as "renewable energy" more heavily than others, § 269-91 does not differentiate among renewable energy types.

TGC interprets Act 95 as allowing the Commission to be more creative in designing utility incentives to increase renewable energy than simply choosing among the precedents cited in the Economists, Inc. proposals. By referencing performance based ratemaking (PBR), a totally different approach to regulation, the Legislature appears to have implicitly authorized the Commission to reconsider its entire approach to rate regulation while making Hawaii more hospitable to renewables. The concern for not exceeding avoided costs by adding renewable generation applies to customers as a whole, and therefore does not restrict the Commission from reconsidering and updating its overall policies on cost classification, cost allocation and rate design, as well as the pace of change in bringing Hawaii's policies in line with current technologies and the fossil fuel marketplace.[2] TGC is especially concerned with the statement in ¶ 131 of the report to the effect that any new rate design policies the Commission may adopt as a result of the Act are "unlikely to be addressed comprehensively in the planned production simulations."[3] Absent a modernization of existing rate design, the simulations may not accurately predict likely behavior by utilities, competitors, and the various customer classes in response to incentives.

The Act also gives the Commission broad latitude to design Hawaii-specific incentives, as long as it remains mindful of the cost-effectiveness criterion and the concern for preserving utility profit margins. Rather than attempting to follow other states' differing RPSs or the mainland-style PBR

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[2] For example, reconsideration should be given to all of the federal ratemaking standards at 26 USC §§ 2621(d) and 2625, as amended by § 1251 of the Energy Policy Act of 2005. New technologies have brought about changes in Hawaii's energy marketplace since the Commission adopted its PURPA regulations in 1981.

[3] Economists, Inc., Proposals for Implementing Renewable Portfolio Standards in Hawaii at 48.

outlined in Appendix E of the report, the Commission could look at one or more of the following incentive rate mechanisms that might be more suited to Hawaii:

- ordering the utilities to offer one or more *voluntary* Green Power schedules (akin to those in Attachment 1) to customers, exempting them from paying for fossil fuel in exchange for paying a higher base rate reflecting the costs associated with renewable generation earmarked to those schedules, thereby making any rate increase attributable to renewables voluntary with the customer;
- ordering the utilities to wheel any renewable energy they have declined to purchase from governmental entities or independent power producers within their service territories, in exchange for being allowed to count the renewable energy so generated by others against their RPS quotas;
- making temporary adjustments of the existing economic dispatch regimes of the electric utilities to give a higher priority to renewable energy, so as to increase the proportion of net renewable energy sales for any utility that is not otherwise able to meet the RPS, or to promote utility transmission of renewable energy generated by others;
- approving a tiered annual rate of return in future rate cases, with a higher tier available based on the proportion of renewable energy sales exceeding the RPS minimum for that year or that rate case (without all the other bells and whistles of traditional PBR, which was largely treated as a failed experiment on the mainland);
- possibly seeking authority to give an annual rebate to electric utility shareholders of a portion of the "public utilities special fund" or PUC fee, for exceeding the RPS by specified percentages (assuming that any excess has not been attributed to an affiliate); or
- adopting externalities values for use in IRP, competitive bidding, and avoided cost proceedings that will assist renewables in meeting the cost-effectiveness benchmark.

Furthermore, because "electrical energy savings" is included within the "renewable energy" definition, Act 95 paves the way for the Commission and the utilities to design new incentives to promote enhanced energy efficiency[4] by looking at long-term, or life cycle, costs of energy measures, greater shareholder incentives for effective demand-side management programs, and rewards for quantified fuel switching where the electric utility can demonstrate that it makes sense. See Attachment 2 for an example of an electric utility schedule showing a pilot program for achieving conservation via controlled fuel switching in areas of capacity constraint.

B. Comments Topics Included Under ¶ 172

For the reasons discussed above, TGC believes that Candidate IR Mechanisms 1-3 and 6 are beyond the scope of Hawaii's Act 95, in that they involve renewable energy credit trading, fees as an alternative to compliance with the RPS, and penalties or fines.

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[4] Pursuant to Section 140 of the Energy Policy Act of 2005, States can apply for grants to help fund pilot programs to increase energy efficiency and reduce consumption of electricity (or gas) by .75%.

For purposes of Candidate IR Mechanisms 4-5, as well as for determining waivers or deferrals of RPS compliance, knowing the avoided cost threshold for each utility appears essential.[5] A consistent methodology or approach that each utility in Hawaii should follow for periodically establishing and publishing its avoided costs needs to be established. That method should then be implemented in the utilities' IRP proceedings to set the RPS cost-effectiveness benchmark, and reviewed by the Commission. To minimize controversy, the utilities' avoided cost determinations should be independently verifiable without the use of proprietary software.

The utility should be bound by its IRP determination of the next unit and its own avoided cost figure, if it elects to construct the next unit rather than accepting a third-party proposal via a competitive bidding RFP. Whether the utility or a third party actually builds the next unit of generation should depend on whether a competitive bidding solicitation yields an adequate third party bid that is at or below the utility's avoided costs. That is, the utility's avoided cost level will not be dependent on the outcome of competitive bidding, but whether the utility or a third party builds the unit (and/or owns and operates it) *will* be so determined.

TGC's view of how the cost-effectiveness benchmark should be applied is akin to the Economists, Inc. Fourth and Fifth candidate IR mechanisms, but not identical to either. TGC notes that Act 95 does not create a strict renewable energy set-aside, and the computation of avoided costs currently used by HECO[6] apparently does not contemplate a more expensive renewable unit being the next unit over a less expensive fossil unit. Moreover, under the HECO proposal for implementing competitive bidding, the utilities would not be bound by their own IRP next unit and avoided cost determinations, but would be free to submit a bid for a unit that differs, at a cost that differs, from the one derived in IRP. These issues would need to be addressed by the Commission in applying the RPS cost-effectiveness criterion.

Although TGC believes that the Seventh candidate IR mechanism addresses the Legislature's concerns in Act 95, so that commissioning the macroeconomic study might produce useful information, the result might better act as a cap on utility incentives, rather than reflecting an incentive that is reasonably necessary. TGC is also concerned that the macroeconomic study would be so dependent on volatile oil price projections as to be unusable.

C. Comment on ¶ 169

To get around the absence of any specific penalty mechanisms in Act 95, ¶ 169 of the report suggests that the Commission could "disallow, in the ordinary course of a rate case process, the recovery of non-renewable energy costs that the Commission could deem to have been imprudently incurred." TGC has grave concerns with the suggestion that an undetermined amount of potentially substantial generation-related costs could be disallowed after the fact, in a rate case, on prudence grounds. At a

[5] *Compare* the Economists, Inc. statement in ¶ 132, page 48, to the effect that "[a]n approach to the calculation of avoided cost *may* have to be developed ...." (emphasis added).
[6] See Discussion of Differential Revenue Requirements method, Ex. III, p. 1, in Final Statement of Position, Witness List, Exhibits I-III and Certificate of Service, filed Aug. 11, 2005 in Docket No. 03-0372 (Competitive Bidding for New Generation).

very minimum, if the Commission decides to follow this course, TGC urges it to issue clear rules and standards in advance, defining compliance with RPS as an element of prudence and stating what parties have standing to raise the prudence issue and in what context.

In lieu of rate case prudence review, TGC recommends that the Commission adopt rules requiring each utility to submit for Commission review and approval, following each competitive bidding solicitation, an analysis of the anticipated effect of the contemplated new unit on RPS compliance and whether that utility will be in compliance with their RPS targets. The Commission could set the matter for hearing and all interested parties should receive notice and should be able to comment in these proceedings. In this way the Commission would have an opportunity to hear from the necessary parties and receive their information, and make an informed ruling on waiver or deferral. If the Commission decides against waiver or deferral, the utility will have an opportunity to reconsider its choice before proceeding with the installation of a fossil unit.

Thank you for the opportunity to participate in this proceeding. Please contact me at 535-5913 if you have any questions concerning the above comments.

Very truly yours,

/s/ Steven P. Golden

Steven P. Golden
Director, External Affairs & Planning

cc: Division of Consumer Advocacy
Attachments (2)

ATTACHMENT 1
GREEN POWER SCHEDULES/RIDERS

GreenChoice® Rider

Application:

The charges set forth in this rider apply to those customers who choose to participate in Austin Energy's GreenChoice® program. By subscribing to the GreenChoice® program, participants will assist Austin Energy in adding renewable energy capacity by paying a Green Power Charge as provided by this rider. The Batch-1 Green Power Charge applies to residential service and general service non-demand customers who subscribed in writing to Austin Energy's GreenChoice® program before October 13, 2000, except as provided for in the Electric Rate Schedule Residential Service, and to other customers who subscribed in writing before September 22, 2000. The Batch-2 Green Power Charge applies to those customers who subscribe in writing to the GreenChoice® program after the Batch-1 dates, but before December 6, 2003. The Batch-3 Green Power Charge applies to those customers who subscribe in writing to the GreenChoice® program after the Batch-2 dates, but before Aprill 22, 2005. The Batch-4 Green Power Charge applies to those customers who subscribe to the GreeChoice® program after April 22, 2005 and shall become effective June 6, 2005.

On or after March 28, 2001, GreenChoice® participants will pay a Green Power Charge, rather than the normal Fuel Adjustment Factor, on that portion of their monthly energy use that is designated as GreenChoice® energy. Subscriptions to GreenChoice® shall continue for the full term of this rider unless terminated sooner in accordance with the terms of this rider. Aside from the Green Power Charge, participants' usage will otherwise be priced in accordance with all applicable rate tariffs and riders otherwise governing participant's electric service, including all energy rates, demand rates, and other charges and adjustments that may apply to participant's service.

Participants' subscriptions under this rider will support Austin Energy's acquisition of energy from renewable wind and landfill methane sources, though such energy cannot be directed to any one particular destination on the ERCOT electric grid, including participant's premises. The availability of energy from the renewable sources in question may vary from time to time and is dependent upon weather conditions, force majeur, and third-party actions for which AE cannot be responsible. This may produce periodic shortfalls of GreenChoice® energy during the term of this rider. In addition, all of the contracted sources of GreenChoice® energy may not be fully online or up to full production capacity at the start of the term of this rider, which may result in an initial under-delivery of GreenChoice® energy to participants.

Participation in the GreenChoice® program is contingent upon the participant's remaining an Austin Energy customer for the duration of the GreenChoice® program as set forth by this rider. If participant's electric service is involuntarily terminated by Austin Energy, or if participant discontinues electric service and relocates outside of the Austin Energy service area, its participation in the GreenChoice® program shall end immediately. If participant relocates to another premises within Austin Energy's service area, participant may cancel its participation within 15 days of such relocation. If participant chooses another electric provider after any deregulation of the Austin electric retail market, Austin Energy may terminate participant's participation in this program at Austin Energy's sole discretion. Participants who are terminated from the GreenChoice® program or who cancel their participation shall be ineligible for further subscriptions to the program. Subscriptions are not transferable from customer to customer.

Character of Service:

Each GreenChoice® participant will receive electric service under the applicable service tariff.

Residential Service and General Service Non-Demand:

Batch-1 Green Power Charge: $ 0.0170 per kWh
Batch-2 Green Power Charge: $ 0.0285 per kWh
Batch-3 Green Power Charge: $ 0.0330 per kWh
Batch-4 Green Power Charge: $ 0.0350 per kWh

With respect to residential service and general service non-demand participants, the Green Power Charge will be applied to the participant's entire monthly consumption until March 1, 2011 for both Batch 1 and Batch 2, until December 31, 2013 for Batch 3 and until June 30, 2015 for Batch 4. In order to participate in the GreenChoice® program under this rider, a residential service customer or general service non-demand customer must subscribe to the program as required by Austin Energy.

Large Commercial Service:

Batch-1 Green Power Charge: $ 0.0170 per kWh
Batch-2 Green Power Charge: $ 0.0285 per kWh
Batch-3 Green Power Charge: $ 0.0330 per kWh
Batch-4 Green Power Charge: $ 0.0350 per kWh

All eligible customers other than residential service or general service non-demand customers must enter into a separate written agreement with Austin Energy that either specifies a monthly quantity of GreenChoice® energy or designates 100% of the customer's monthly energy consumption as GreenChoice® usage. The resulting monthly portion of the participant's consumption will be subject to the applicable Green Power Charge for the term of the agreement, not to exceed March 1, 2006 for Batch 1 participants, March 1, 2011 for Batch 2 participants, or December 31, 2013 for Batch 3 participants, or June 30, 2015 for Batch 4 participants.

Energy Resale:

Energy available from a contract supply source because of subscription agreement expiration or cancellation and allocated to earlier Batches may be resold at the Batch 4 rate and term for a period not to exceed the remaining term of the original supply contract.

We make every effort to be accurate in displaying rates online. In case of conflict, the official tariffs on file with the City Clerk's office take precedence.

GREEN POWER PRICING
RATE SCHEDULE "GPP"

MISSISSIPPI POWER
A SOUTHERN COMPANY

Mississippi Public Service Commission Schedule No. 50

PAGE	EFFECTIVE DATE	DATE OF VERSION SUPERSEDED
1 of 1	March 21, 2003	Original

DESCRIPTION

Green Power Pricing is an optional pricing schedule that enables customers to support renewable energy resources. Customers who choose to do so may contribute to the production and/or purchase of renewable energy in 100 kWh blocks. The monthly charge for each 100 kWh block will be in addition to the Customer's normal monthly charges for electric service. Customers may elect to purchase multiple blocks. Renewable energy is electrical energy generated utilizing renewable resources such as solar, wind, ocean, geothermal, biomass or hydropower additions or expansions. Energy purchased or produced by Company from renewable energy sources will not be specifically delivered to the customer, but will displace power that would have otherwise been produced from traditional generating sources.

AVAILABILITY

Available throughout the Company's service area to its residential and commercial customers. Qualifying customers may initiate service under this rate schedule through December 31, 2004. All customers will be allowed to complete an initial term of one year. During this initial offering the number of blocks available for subscription will be limited to approximately 800 with half available to residential customers and half for commercial customers.

APPLICABILITY

Applicable, upon request, to residential and commercial customers in good financial standing with the Company.

MONTHLY RATE

$5.00 per 100 kWh block

MONTHLY MINIMUMS

Residential	**1 block**
Commercial	**10 blocks**

TERM OF CONTRACT

Service under the GPP shall be for a period of not less than one (1) year and shall continue thereafter until terminated by two months notice by either party to other.

WASHINGTON ELECTRIC UTILITIES
Washington, North Carolina

North Carolina GreenPower Program
GreenPower Schedule Number 2
(Schedule GP2)

AVAILABILITY

This Schedule is available on a voluntary basis in conjunction with service under the Washington Electric Utilities (WEU) Rate Schedules for Customer who contracts with WEU for a block or blocks of electricity produced from Renewable Resources provided through the statewide NC GreenPower Program.

The maximum number of customers participating under this Schedule shall be determined by the maximum number of blocks of electricity available through the NC GreenPower program.

This Schedule is not for temporary service or for resale service, or for Customer purchases of less than 100 blocks of electricity under this Schedule.

The provisions of this Schedule is modified only as shown herein.

MONTHLY RATE

In addition to all other charges stated in the Customer's Rate Schedule with which this Schedule is associated, the following charge shall apply to each block Customer purchases:

$2.50 per block of 100 kWh

The minimum monthly charge shall be for 100 blocks of electricity.

This Schedules monthly rate shall be billed to Customer regardless of Customer's actual monthly kilowatt-hour consumption.

DEFINITIONS

1. Block of Energy - For the purpose of this Schedule, a block of electricity is equal to 100 kWh.

2. Renewable Resources - For the purpose of this Schedule, Renewable Resources are those renewable resources included in the NC GreenPower Program, which include such renewable resources as solar, wind, small hydro, and biomass placed in service after 1 January 2001 and used to generate electricity delivered to the electric grid in North Carolina.

SPECIAL CONDITIONS

The actual amount of electricity provided by Renewable Resources under this Schedule to the statewide electricity grid in North Carolina during any specific month may vary from the number of blocks customers have purchased. However, a true-up of the delivery of the blocks to the purchase of blocks shall be completed within two years of the purchase.

The electricity purchased from the Renewable Resources may not be specifically delivered to Customer, but will displace electricity that would have otherwise been produced from traditional generating facilities for delivery to customers within the State of North Carolina. The electricity shall be provided to the electricity grid.

DISTRIBUTION OF SCHEDULE FUNDS

Charges under this Schedule will be used to offset the higher cost of producing, purchasing, and/or acquiring the Renewable Resources.

The funds, less applicable taxes, collected from customers under this Schedule will be distributed as follows:

1. To the North Carolina Advanced Energy Corporation, herein called "NCAEC", a nonprofit corporation, for the operational and administrative costs of the NCAEC necessary to administer and promote the state-wide NC GreenPower Program, and

2. To the NCAEC who will provide incremental payments to the generators of the Renewable Resources selected by the NCAEC for the participation in the NC GreenPower Program.

CONTRACT PERIOD

The Contract Period under this Schedule shall be for one (1) year. After the initial period, Customer or WEU may terminate service under this Schedule by giving the other party at least thirty (30) days previous written notice.

GENERAL

Service rendered under this Schedule is subject to the provisions of the Service Regulations of the City of Washington contained in the City Code of Ordinances.

Circumstances and/or actions which may cause WEU to terminate the availability of this Schedule include but are not limited to: the retail supply of electricity generation is deregulated; WEU's participation in the statewide NC GreenPower Program is terminated; the statewide NC GreenPower Program is terminated; or other regulatory and/or legislative action which supercedes or contravenes the Schedule or the NC GreenPower Program.

SCHEDULE GP-2002
Green Power Product

AVAILABILITY
Service under this classification shall be available for all consumers upon request.

TYPE OF SERVICE
On a voluntary basis, consumers may support the continuing operations of the Coffin Butte Landfill Methane Resource Project and promote expansion of this type of alternative energy source. At the consumer's request, the Cooperative will direct an additional dollar amount on their electric bill to help fund the production of Green Power from the Coffin Butte Landfill Methane Resource Project.

MONTHLY SUPPORT CHARGES

$2.00 PER 100 kWh in 100 kWh Block Increments
Minimum: 100 kWh
Maximum: Unlimited

TERMS OF PAYMENT
The above charges are net. Penalties will be assessed in accordance with established Rules and Regulations.

Schedule No. EGPS-1

ELECTRIC GREEN POWER SERVICE

APPLICABILITY: Applicable to all retail electric customers of the Utility.

PURPOSE: The purpose of this Schedule is to present the rates and applicable terms and conditions of the utility's Green Power Service.

EFFECTIVE PERIOD: This Program will be in place from July 1, 2002 through June 30, 2003, by which time it will be reevaluated/modified for future use.

RATE:

Green Power Monthly Billing: Each month, the Green Power Charge shall be the rate set forth as follows:

Rate Classes:	Green Power
All Customer Rate Classes	$ 2.00 per 100kWh block

APPLICATION OF RATE:

Minimum Monthly Purchase Requirement for Enrolled Customers: Customers enrolling for this product may enroll for this product offering for a minimum of one (1) 100kWh block per month and may choose to purchase additional blocks. The number blocks purchased per month by the customer shall be the same for each month of the enrollment period.

Monthly Bill Components: This product offering shall be applied to the bills of enrolled customers as a single separate charge in addition to all other applicable bill components.

1. Green Power Product Offering Charge: The Green Power Offering Charge shall be the charges in accordance with this Rate Schedule.

2. Other Applicable Charges: The Utility shall bill all Customers served under this Rate Schedule, the pertinent charges applied as defined on all other applicable rate schedules.

(Continued)

DEFINITIONS:

1. Green Power Service: A separate green power product for which a customer elects to enroll and pays a premium on their electric bill for the environmental benefits associated with renewable generation.

2. Environmental Benefits: The environmental benefits mean the fuel (not) used, emissions avoided, or any other environmental attributes of the renewable generation project separate of its energy, capacity, reliability, or power quality attributes. Avoided emissions include pollutants such as sulfur dioxide (SO_x), nitrogen oxides (NO_x), carbon monoxide (CO), carbon dioxide (CO_2) and other greenhouse gas (GHG).

3. Renewable Generation: Energy generated with biomass, wind, solar, or geothermal resources. This green power offering allows customers to support the generation of renewable energy through existing projects and to encourage the development of additional renewable generation. The renewable generation and associated environmental benefits in this green product offering have been certified to meet the standards of RENEW2000.

4. Enrollment Period: Enrollment for this product offering shall end with the customer's billing statement for the month of July 2003. All enrolled customers shall be offered the opportunity to enroll for a new product offering, yet to be defined, at that time.

5. Special Metering Requirements: . None.

6. Unmetered Service: The kWh for unmetered services shall be the product of the operating hours per month times the load in watts divided by 1000.

SERVICE AND RATES SUBJECT TO COMMISSION JURISDICTION: All rates and service conditions under this Schedule are governed by the rules and regulations of the Public Service Commission of Montana and are subject to revision as the Commission may duly authorize in the exercise of its jurisdiction.

SCHEDULE 7
RESIDENTIAL SERVICE

AVAILABLE

In all territory served by the Company.

APPLICABLE

To Residential Consumers.

CHARACTER OF SERVICE

60-hertz alternating current of such phase and voltage as the Company may have available.

MONTHLY RATE

The sum of the following charges per Point of Delivery:*

Basic Charge		
Single Phase Service	$10.00	
Three Phase Service	$16.00	
Transmission and Related Services Charge	0.324 ¢ per kWh	
Distribution Charge	2.272 ¢ per kWh	
Energy Charge		
Standard Cost of Service Offer		
First 250 kWh	6.162 ¢ per kWh	(I)
Over 250 kWh	6.162 ¢ per kWh	(I)
or		
Time-of-Use (TOU) Offer (enrollment is necessary)		
On-Peak Period	10.329 ¢ per kWh	(I)
Mid-Peak Period	6.162 ¢ per kWh	|
Off-Peak Period	3.704 ¢ per kWh	(I)
First 250 kWh block adjustment	0.000 ¢ per kWh	(T)(R)

* See Schedule 100 for applicable adjustments

SCHEDULE 7 (Continued)

MONTHLY RATE (continued)

Nonstandard Metering Charge (applicable to TOU) (T)(M)

Single Phase meter	$1.00
Three Phase meter	$4.25 (M)

Renewable Portfolio Options
(available upon enrollment in either Energy Charge option)

Renewable Usage	0.800¢ per kWh in addition to Energy Charge
Fixed Renewable	$3.50 per month per block
Habitat	$2.50 per month and 0.800¢ per kWh in addition to Energy Charge

(M)

RENEWABLE ENERGY RESOURCE PORTFOLIO OPTIONS

The Consumer shall be charged for the Renewable Portfolio Option in addition to all other charges under this schedule for the term of enrollment in the Renewable Portfolio Option.

Habitat Option

The Company shall distribute $2.50 per month as received from each Consumer enrolled in the Habitat Option to a nonprofit agency chosen by the Company who will use the funds for habitat restoration. The 0.800¢ per kWh shall purchase Tradable Renewable Credits (TRCs) and/or renewable energy consisting of at least twenty percent of new renewable resources and the remainder from other qualifying resources.

Fixed Renewable Option

The Company shall purchase 200 kWhs of Tradable Renewal Credits (TRCs) and/or renewable energy per block enrolled in the Fixed Renewable Option. All TRCs purchased under this option shall come from new renewable resources.

SCHEDULE 7 (Continued)

Renewable Energy Resource Portfolio Options (Continued)

Fixed Renewable Option (continued)

The Company shall also place $2.50 of the amount received from Consumers enrolled in the Fixed Renewable Option in a new renewable resources development and demonstration fund. Amounts in the fund will be disbursed by the Company to public renewable resource demonstration projects or projects which commit to supply energy according to a contractually established timetable. The Company shall report to the Commission annually by April 1st for the preceding calendar year on collections and disbursements. The fund shall accrue interest at 2.0% per year and the interest rate shall be reviewed annually. **(C)** **|** **(C)**

Renewable Usage Option

All amounts received from the Consumer under the Renewable Usage Option will acquire TRCs and/or renewable energy consisting of at least twenty percent of new renewable resources and the remainder from other qualifying resources. **(C)** **(C)**

Energy or TRCs supporting the Renewable Portfolio Options will be acquired by the Company such that within two years of a Consumer's purchase of renewable energy, the Company will have received sufficient TRCs or renewable energy to meet the purchases by Consumers. The Company is not required to own renewables or to acquire energy from renewable resources simultaneously with Consumer usage. **(D)**

For purposes of these options, renewable resources include wind generation, solar, biomass, low impact hydro (as certified by the Low Impact Hydro Institute) and geothermal energy sources used to produce electric power. New TRCs or new renewable resources shall mean those qualifying resources placed in service after July 23, 1999, as defined in OAR 860-038-0005. **(D)** **(T)**

SCHEDULE 7 (Continued)

TRADABLE RENEWABLE CREDITS (Pertaining to Renewable Portfolio Options) (T)(M)

Tradable Renewable Credits (TRCs) consist of the non-power attributes resulting from the generation of Energy by a qualified renewable resource. Such attributes may be fuel, emissions, or other environmental characteristics deemed of value by a TRC purchaser.

Non-power attributes include, but are not limited to, any avoided emissions of pollutants to the air, soil or water such as sulfur oxides (SOx), nitrogen oxides (NOx), carbon monoxide (CO), and any other pollutant that is now or may in the future be regulated under the pollution control laws of the United States; and further include any avoided emissions of carbon dioxide (CO_2) and any other greenhouse gas (GHG) that contributes to the actual or potential threat of altering the Earth's climate. These non-power attributes are expressed in MWh.

Non-power attributes do not include any energy, reliability, scheduling, shaping or other power attributes. (M)

TIME-OF-USE (TOU) OFFER

Time Periods

Summer Months (begins May 1st of each year)	
On-Peak	3:00 p.m. to to 8:00 p.m. Monday-Friday
Mid-Peak	6:00 a.m. to 3:00 p.m. and 8:00 p.m. to 10:00 p.m. Monday-Friday; 6:00 a.m. to 10:00 p.m. Saturday
Off-Peak	10:00 p.m. to 6:00 a.m. all days; 6:00 a.m. to 10:00 p.m. Sunday and Holidays**

(T)

Winter Months (begins November 1st of each year)	
On-Peak	6:00 a.m. to 10:00 a.m. and 5:00 p.m. to 8:00 p.m. Monday-Friday
Mid-Peak	10:00 a.m. to 5:00 p.m. and 8:00 p.m. to 10:00 p.m. Monday-Friday 6:00 a.m. to 10:00 p.m. Saturday
Off-Peak	10:00 p.m. to 6:00 a.m. all days; 6:00 a.m. to 10:00 p.m. Sunday and Holidays**

(T)

** Holidays are New Year's Day (January 1), Memorial Day (last Monday in May), Independence Day (July 4), Labor Day (first Monday in September), Thanksgiving Day (fourth Thursday in November), and Christmas Day (December 25). If a holiday (N) falls on Saturday, the preceding Friday is designated a TOU holiday. If a holiday falls on Sunday, the following Monday is designated a TOU holiday. (N)

SCHEDULE 7 (Continued)

UPDATES TO STANDARD COST OF SERVICE ENERGY CHARGE (M)

The Standard Cost of Service Energy Charge of this rate schedule will be updated annually effective January 1 of each year. The updated charges will be filed with the Commission on November 15th (or the following working day if the 15th falls on a weekend or holiday) and will be based on the expected market price for power delivered to the Company's service territory. The Company shall determine the expected market price for power consistent with the manner in which it determines the expected market price for power in its Resource Valuation Mechanism filing. (M)

ADJUSTMENTS

Service under this schedule is subject to adjustments approved by the Commission and includes Schedule 102, BPA Subscription Power Credit and other adjustments summarized in Schedule 100.

SPECIAL CONDITIONS

Electricity delivered to the Consumer under this schedule may not be resold by the Consumer.

Consumers must enroll to receive service under any portfolio option. Consumers may initially enroll or make one portfolio change per year without incurring the Portfolio Enrollment Fee as specified in Schedule 300.

SCHEDULE 7 (Continued)

SPECIAL CONDITIONS (Continued)

Pertaining to Renewable Portfolio Options

1. Service will become effective with the next regularly scheduled meter reading date provided the Consumer has selected the option at least five days prior to their next scheduled meter read date. Absent the five-day notice, the change will become effective on the subsequent meter read date. Service may be terminated at the next regularly scheduled meter reading provided the Company has received two weeks notice prior to the meter read date. Absent the two-week notice, the termination will occur with the next subsequent meter reading date.

2. The Company will not accept enrollments from accounts with poor credit history as designated by a time payment agreement that has not been kept current from month to month, having received two or more final disconnect notices in the past 12 months or having been disconnected in the past 12 months.

3. The Company will use reasonable efforts to acquire renewable energy, but does not guarantee the availability of renewable energy sources to serve Renewable Portfolio Options. The Company makes no representations as to the impact on the development of renewable resources or habitat restoration projects of Consumer participation.

Pertaining to the TOU Offer

1. Service may be terminated at the next regularly scheduled meter reading provided the Company has received two weeks notice prior to the meter read date. Absent the two weeks notice, the termination will occur with the next subsequent meter reading date. (T)

2. Participation requires a one year commitment by the Consumer. Generally, if a Consumer requests removal from the TOU Offer, the Consumer shall be required to wait 12 months before re-enrolling. However, a Consumer may request to reinstate service within 90 days of termination, in which case the Portfolio Enrollment Fee shall be waived. (T) (N)

3. The Consumer must take service at 120/240 volts or greater. (T)

SCHEDULE 7 (Concluded)

SPECIAL CONDITIONS (Continued)

4. The Consumer must have a meter provided by the Company which is capable of recording interval usage. Because of the special metering requirements of this option, the Company anticipates that a delay may occur from the time a Consumer requests service under this option until the Company can provide it. In the interim, Consumers will continue to receive service under the Standard Cost of Service Offer.

5. The Consumer must provide the Company access to the meter on a monthly basis.

6. If the Consumer enrolls prior to December 31, 2004, at the end of the Consumer's first one-year term, the Company will calculate what the Consumer would have paid under the Standard Cost of Service Offer and compare billings. If the Consumer's Energy Charge billings (including all applicable supplemental adjustments) under the TOU Offer exceeded the Standard Cost of Service Offer Energy Charge (including all applicable supplemental adjustments) by more than 10%, the Company will issue the Consumer a refund for the amount in excess of 10% either as a bill credit or refund check. The Nonstandard Metering Charge shall be excluded from the bill comparisons. No refund shall be issued for Consumers not meeting the 12 month requirement. (T)

7. The Company will recover lost revenue from the TOU Offer through Schedule 125.

8. Billing shall begin for any Consumer on the next regularly scheduled meter reading date following the initialization meter reading made on a regularly scheduled meter reading date.

9. The Company may choose to offer promotional incentives, including but not limited to rebates or coupons.

RULES AND REGULATIONS

Service and rates under this schedule are subject to all applicable General Rules and Regulations contained in the Tariff of which this schedule is a part.

OPUC
This page last updated August 18, 2000
HOME

SB1149 Rulemaking Process – Oregon PUC

Comments of Vulcan Power Company - Addendum No. 1

November 23, 1999

Vulcan Power Company and its advisors have formulated this proposal to truly test and develop the Oregon residential renewables Green Tariff market as to scope, configuration and price consistent with both the intent and provisions of SB1149.

These comments deal primarily with unresolved issues within the Portfolio Green Power Rate which include: (1) the formation of a Green Power joint marketing agreement; and (2) the formation of a joint marketing committee composed of the various utility and power developers to implement the agreement; and (3) the optimization of the benefits of such projects to Oregon and Oregon customers.

PROPOSAL SUMMARY

This proposal is based upon an understanding that it is the intent of SB1149 that participating utilities will offer a Portfolio including a Green Tariff to residential customers, of an as yet indeterminate content, rather than a market in which developers have an open market arrangement to directly sell to residential customers since the residential market may not be fully open under SB 1149 until 2003, if at all.

The main components of this proposal are: (1) that the OPUC will establish operating procedures for the Green Rate Tariff based in part upon input from the working group, under which; (2) the participating utilities will select and contract with long term power purchase agreements to purchase renewable energy fuel or power from developers so as to create a robust renewables industry; and (3) a portion of the long term power purchase agreements only become financially binding after completed residential-commercial-industrial sales contracts of predetermined amounts of both baseload and as-available renewable power categories; and (4) the long term power contracts are approved by the OPUC as to stranded costs treatment consistent with OPUC Staff Final Report dated 3/25/94; and (5) utilities then execute joint marketing arrangements thereby creating joint marketing committees with the selected renewable energy developers.

JOINT MARKETING AGREEMENT AND COMMITTEE

To provide innovative, truly market-based sales of green power, the following concepts are proposed as a written guide for conduct of the joint marketing program to implement the portfolio Green Rate. We request the OPUC consider this process format.

1. An Electricity Service Supplier (ESS) or power generating company will be selected by each participating utility to supply a given new renewable power type from such ESS in a stipulated initial target amount suggested to comprise at least Three Percent (3%) of average load per utility. This program does not activate a portion of the PPA contracts until after stated increments of new power are first presold. A significant initial target amount is necessary to create potential economies of scale for new projects under this scenario.

2. The ESS and the utility will execute both a Power Purchase Agreement (PPA) and a Joint Marketing Agreement (JMA) in the amount of the initial target for a period of at least 10 years to perhaps 30 years.

3. To minimize risks consistent with utility restructuring, only the first PPA increment will be activated (financially binding) immediately, suggested increments of 1% or 1.5% of utility load. After that, the following increments of the PPA will only become activated and financially binding after the JMA work of the ESS and the utility billing insert program (described below) have jointly pre-sold a given increment of renewable power under proposed one year residential contracts or other contracts.

4. Each ESS shall provide a Confidential marketing plan to be incorporated in the JMA, along with its response to the competitive solicitation by the utility.

5. The ESS marketing plan shall specify that the utility shall provide billing insert services for a co-branded product name and provide its Confidential residential customer list to the ESS exclusively for use in the ESS portion of the marketing program.

6. The ESS marketing plan shall specify its own Confidential marketing program underwhich it will market the co-branded product, to include such things beyond a billing insert such as door to door marketing, purchased media coverage, renewable events perhaps like an Earth Day sponsorship or other innovative programs designed to assist marketing the ESS Green Rate product.

7. Developers have the right to sign up customers for the Green Tariff subject to independent third party verification of customer agreement and utilities contractually agree to supply the Green Tariff service.

8. Green Power will be sold in 200 kwh blocks. Residential customer contract duration would be at least 12 months. This will create a true market test by allowing customers to buy an amount of green power consistent with their environmental philosophies. Customers that want to buy more than 200 kwh of green power and thus have a higher overall rate can do so. Customers that would prefer to buy only a small amount (200 kwh) of green power or no green power can also do so.

9. The ESS marketing plan and the JMA shall provide for similar ongoing marketing by the ESS and utility for the life of the PPA to grow the project output and replace customers as they either drop out or change addresses. They must be able to continue the customer replacement program for these initial projects in the future regardless of other changes in the Green Rate.

10. The joint marketing agreement will provide for a joint marketing committee composed of ESS developer and the respective utility. The utility should make periodic quarterly reports on green marketing results to the OPUC and within utility 10k reports.

11. The green power tariff is automatically expandable based upon sales after initial service tariff is fully subscribed, or until future changes in the residential Green Rate program.

In addition to the joint marketing guidelines Vulcan proposed above, we recommend that the Commission establish the amount (by percent of the SBC) which is to be utilized for "Market Transformation" renewable power marketing such that the utility can state in its solicitation the annual funds available for such use and the ESS can propose utilization thereof.

To ensure that Oregon and its ratepayers realize the numerous economic, environmental and system reliability upgrade benefits of renewables located in Oregon, it is suggested that OPUC set specific Green Tariff components including the percentage of both baseload and as-available renewables.

It is recommended that the location of renewables be within the state of Oregon. Oregon and its customers are best served by a Green Rate Option which will maximize the use of new green power projects located in Oregon because of the significant economic and environmental benefits that Oregon will receive from such projects.

It is further recommended that the EES and utilities be allowed to voluntarily include commercial and industrial classes of customers as it is known that some commercial-industrial customers want to purchase a portion of their load from green sources for public relations and/or community enhancement purposes.

This concludes our comments as we currently understand the issues regarding the Portfolio Green Power Tariff procedures. The issues may change as the concept evolves. We believe that these guidelines can serve as the foundation for successful development of a green power market within the state of Oregon.

ATTACHMENT 2
ELECTRIC-TO-GAS FUEL SWITCHING TARIFF

PUGET SOUND ENERGY
Electric Tariff G

SCHEDULE 212
ELECTRICITY CONSERVATION PROGRAM
Electric to Natural Gas Fuel Switching Pilot

1. **PROGRAM PURPOSE AND DESCRIPTION**: (O)
This program is designed to evaluate the cost-effectiveness and implementation issues associated with a program encouraging electric to natural gas fuel switching. Under this pilot (C) program, the Company will provide electric Customers an incentive to convert electric heating | load to natural gas service in targeted areas where the electric delivery system is or is (C) projected to become constrained and requires capacity expansion.

2. **AVAILABILITY**: (O)
This service will be available to Customers in certain targeted areas where increasing the capacity of the electrical delivery system and providing electricity to Customers is more costly than the cost of making natural gas available to Customers. The Company will identify and notify individual Customers of their eligibility to receive service under this schedule.

3. **SERVICES PROVIDED**: (O)
Eligible Customers will be offered financial incentives to convert electric heating appliances/systems to appliances/systems fueled by natural gas. Financial incentives will be determined on a project by project basis and will be offered to all eligible Customers in the targeted area on a non-discriminatory basis. If Customers signing a binding letter of intent to participate with the offered financial incentive provide enough aggregated load to avoid the otherwise necessary expansion of the electrical system, applicants will be informed that the fuel-switching project will proceed. The offered financial incentives will be provided to Customers upon Company verification that the Customer has installed the natural gas heating equipment.

4. **SCHEDULE 83**: (O)
Service under this schedule is subject to the provisions of Schedule 83, Electricity Conservation Service, contained in this tariff.

5. **GENERAL RULES AND PROVISIONS**: (O)
Service under this schedule is subject to the General Rules and Provisions contained in this tariff.

(D)
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(D)